



MSMS
The Voice of 14,000
Michigan Physicians



MICHIGAN HEALTH & HOSPITAL ASSOCIATION



1898
Michigan Osteopathic
Association

The Partnership for Michigan's Health

TO: Members of the House Family and Children Services Committee

FROM: The Partnership for Michigan's Health

DATE: October 26, 2005

SUBJECT: **House Bill 5040**
Partnership Position: Support

The Partnership for Michigan's Health is pleased to offer this letter of support for HB 5040, introduced by Rep. Kevin Green. The legislation would require the Department of Community Health to submit an annual report to the state legislature on the differences between Medicaid and Medicare reimbursement rates.

Since the inception of the Medicaid program in 1966, Michigan hospitals and physicians have embraced and supported it; in 2005, all Michigan hospitals and most Michigan physicians participate in Medicaid.

However, the ability of physicians and hospitals to continue their support has been eroded, partly as a result of inadequate payment rates, which are at historically low levels when compared with standard benchmarks, such as Medicare.

In addition, inadequate Medicaid payment rates have begun to jeopardize the very fabric of Michigan's health care delivery system, particularly those communities where substantial numbers of residents rely upon Medicaid. In the most extreme cases, the inadequacy of Medicaid reimbursement is contributing to the financial failure of key health care institutions and agencies. The end result is a Medicaid program that has become destabilized.

Moreover, it is widely understood that inadequate Medicaid payment rates lead providers to shift costs to other segments, principally commercial payers. This means that the price of under funding is passed on to Michigan employers and employees, contributing further to already rising health insurance costs.

To ensure the long-term stability of the Medicaid program, Medicaid payment rates must be tied to a widely accepted benchmark, such as the Medicare program, which is considered to be reflective of adequate levels of payment within a public program.

The annual reimbursement report, as required in HB 5040, will help to quantify the gap between Medicaid and Medicare payment levels. Additionally, the legislation serves as a common point to open dialogue between providers and key policy makers on steps that can be undertaken to move towards Medicare parity.